



1990–2020

INTEGRATING SOCIAL VALUE IN DEVELOPMENT – BUILD BACK BETTER, FAIRER, GREENER

“There is a huge misunderstanding which says that somehow delivering social value involves foregoing a commercial return – that somehow being socially useful or economically useful is a zero-sum game.

This is complete nonsense: the two go hand-in-hand and are mutually reinforcing over any reasonable period of time, and the economically sustainable business is the one that has a relevant, socially useful mission or purpose.”

*Nigel Wilson, Chief Executive,
Legal & General Group,
speaking at the National
Social Value Conference 2020*

Introduction

Social value is defined in the Public Services (Social Value) Act 2012 as the economic, social and environmental wellbeing connected with public contracts. Applied to property, the term is used to describe the broader contribution a development makes to the local community and society as a whole.

The Act is widely used within public sector procurement to build stronger and deeper relationships with suppliers in order to deliver more local jobs, provide residents with new skills and training, build community resilience and protect our environment. Building on its overriding success within public sector procurement, a number of councils are now looking at how the principles of the Act can be extended to the planning process, including requiring developers to

submit a social value statement as a part of their planning application or in joint venture land deals.*

This is already transforming how development is ‘valued’ by planners, and represents a win-win situation for everyone, especially for the communities that should benefit from more targeted community outcomes designed to meet specific local needs. For developers specifically, it will allow them to demonstrate the broader value of a development in terms that are more easily understood by planning committees, and for asset owners it will ultimately lead to a faster recovery of property values as the local community grows in strength and prospers again after the COVID-19 outbreak.

This briefing paper lays out some context in terms of policy, before detailing the impact social value is likely to have on developers, occupiers and property managers. It also includes guidance on how social value should be integrated in the planning process to maximise the long-term benefits for local communities.

Policy context

The Public Services (Social Value) Act 2012¹ came into force in January 2013 and requires all public bodies to look beyond the financial cost of a contract and consider how the services they commission and procure might improve the economic, social and environmental wellbeing of an area. The Act is transforming the relationship between the public and private sectors by elevating social value to sit alongside price and quality in procurement decision-making, with typical stand-alone weightings of 10–20%. The Act does not apply in Wales or Scotland, which have parallel legislative framework (Well-being of Future Generations (Wales) Act 2015² and the Procurement Reform (Scotland) Act 2014³), although the principles and outcomes targeted by all three pieces of legislation are very similar. Northern Ireland does not currently have legislation around social value.

Although the Social Value Act does not yet apply directly to the planning regime, the Office of Civil Society published

* For instance, Salford Council included a 10% weighting as a part of its selection process for a development partner for Salford Crescent, which was won by English Cities Fund.

its *Civil Society Strategy: Building a Future That Works for Everyone*,⁴ which states that the UK Government is considering how to extend the scope of the Act into the planning process, and that some councils such as Islington, Leicester and Salford are already looking to include social value requirements into their planning requirements.

A ‘permissive’ National Planning Policy Framework

The generation of societal value is at the heart of the planning system, which is fundamentally about the planning and regulation of land to secure the houses and workplaces a society requires, and, as such, operates for the wider public good rather than the good of the private individual. Social value is a way of describing the benefits arising out of sustainable development. It is already integrated within national guidance and filters through to local authorities through the National Planning Policy Framework (NPPF),⁵ which has been a part of UK national policy since 2012 and puts the achievement of sustainable development as a golden thread running throughout the operation of the planning system.

The NPPF sets out three core dimensions of what constitutes ‘sustainable development’, and these are completely aligned with the aims behind the Social Value Act:

- **Economic.** Building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation.
- **Social.** Supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations, and by creating a high-quality built environment, with accessible local services that reflect the community’s needs and support its health, social and cultural wellbeing.
- **Environmental.** Contributing to protecting and enhancing the natural, built and historic environments, the prudent use of natural resources, the minimisation of waste and pollution, and adapting to a low carbon economy.

Importantly, the NPPF notes that these three dimensions are mutually dependent. Economic growth, for example, can secure higher social and environmental standards, and well-designed buildings and places can improve the lives of people and communities. Therefore, to achieve sustainable development, economic, social and environmental gains are to be sought jointly and simultaneously through the planning system. It is clear that ‘social value’ runs through the heart of this.

“Planning should take account of and support local strategies to improve health, social and cultural wellbeing for all, and deliver sufficient community and cultural facilities and services to meet local needs.”

NPPF⁵

How does development add social value?

Social value is delivered across the full life cycle of a development, from design and construction through to occupation, including how the property is managed and how the occupiers add value (Figure 1).

- **During design.** Design teams are ultimately responsible for developing the plans that can unlock the potential for community activities and value creation. Also, design teams can add value through the creation of local jobs and apprenticeships, and by getting involved in community outreach programmes.
- **Meanwhile uses.** Often led by the development team, meanwhile uses can bring an empty site alive and ensure it creates value throughout the life cycle of the development. This is especially the case for large master plans while the site is being developed.
- **During construction.** Some social value conditions are captured within a Section 106 agreement, such as requirements for local labour, local spend and apprenticeships. Innovative contractors will do much more than this, including working with partners to provide job opportunities and training for those furthest

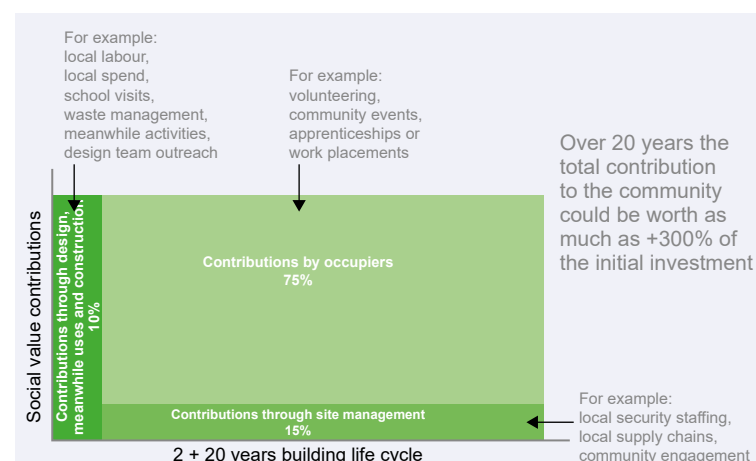


Figure 1
Typical distribution of ‘social value’ over the lifetime of an office building

from the job market, increasing local supply chain spend, digital mentoring and embodied carbon reductions.

- *In use – property management.* The property management team has an important role to play in unlocking social value through the way in which it procures property services such as security staff and maintenance, repair and cleaning services. The team also has a vital role in bridging the gap between the occupier, the community and the local council to unlock opportunities for the occupiers to employ local people, reach local schools and volunteer in the community.
- *In use – occupation.* The occupier has the potential to create the most social value through the way it engages with the local community, provides jobs and training opportunities for local people, engages with local supply chains and works to protect the environment.

Research by the British Council of Offices⁶ indicates that the potential contribution that a building can make to society is significantly higher where there is a comprehensive social value strategy that covers every stage of the life cycle of that development, and that for a typical development the social value delivered over 20 years could be up to four times higher than the original construction costs.

Key reasons why it makes sense for social value to be considered during the design, construction and operation of new and existing developments include:

- *Societal value.* This allows developers to articulate the broader contribution that a new development will bring to society and the immediate area, and places an emphasis on delivering those activities (and measures) that help solve specific needs, making an impact that can be measured and monitored. This, in turn, helps the local planning authority understand the wider social, environmental and economic value that the new development will bring to the area and the local community.
- *Supply chain engagement.* There should be a focus on engaging local suppliers and SMEs, building local capabilities, and ensuring the supply chain is diverse and reflects the cultural mix of the location.
- *Community engagement.* This provides a vehicle for empowering communities and engaging them proactively in developing solutions and delivering better outcomes that have meaning and ‘matter’.

Planners and local authorities are looking at how the benefits of the Social Value Act can be applied to the planning process and, in particular, how discussions around Section 106 agreements can be shifted from ‘How much will you give us in cash contributions?’ to ‘What can you do to help our community?’



Measuring social value

There are a number of methodologies for measuring and reporting social value, and it is important that an appropriate approach is selected that best represents the needs and expectations of the planners. Some methodologies place a financial value on the benefit to society or the individual of the activity, describing the fiscal savings, local economic value and wellbeing.

The two most commonly used methodologies to support organisations in the measurement of value within real estate are:

- *Social return on investment (SROI).* This is a principles-based methodology for measuring non-financial value (i.e. environmental and social value are not currently reflected in conventional financial accounts) relative to the resources invested according to generally accepted social accounting principles.⁷ By applying these principles it is possible to create a consistent and credible account for the value that is being created or destroyed. The application of the principles will require judgements to be made, and so the information produced using the principles needs an appropriate level of independent verification or assurance. More guidance on making judgements can be found in *A Guide to Social Return on Investment*.⁸
- *The National Social Value Measurement (National TOMs) Framework.* This framework, developed by the National Social Value Taskforce, uses a cost–benefit analysis methodology.* It also includes a specific ‘real estate plug-in’ that has been developed to capture the specific opportunities that exist within the industry. The National TOMs Framework, which is endorsed by the Local Government Association, is a free resource,⁹ and reporting is built around a number of themes, outcomes and measures (i.e. TOMs) that allow organisations to

* The Housing Association Charitable Trust (HACT) is another cost–benefit analysis methodology. It is used predominantly in the housing sector.

measure the social, environmental and economic impact of a development on society (Table 1). In addition, the methodology allows organisations to calculate the total financial benefit arising from any given activity or new development by identifying the financial value of each measure delivered in terms of fiscal savings to central and local government (e.g. social welfare payments), economic benefits arising from additional local spend, and longer-term social wellbeing to the individual(s) benefiting from the intervention. The National TOMs Framework has also been recently updated to include a COVID-19 plug-in to reflect the new reality facing the industry at this time.

Integrating social value into planning

Developers should consider how they can demonstrate the broader benefit or value that a new development brings to the community in which it is being built, in a way that is meaningful and is written in terms that make sense to the planners and local community. The traditional approach has been to apply a socio-economic analysis (SEA) that uses a series of pre-agreed factors to predict economic benefits to the local authority area based on jobs created and likely net economic impacts. While an SEA is now a standard requirement in all large planning submissions, it is a one-off assessment. The SEA has become part of the process and, in many cases, remains a tick-box exercise, with the results being meaningless to local communities as it is not possible to measure or agree targets as a part of the process. The outcomes of an SEA are not actionable or used beyond the planning submission to inform decision-making or value creation.

In contrast, a social value statement (SVS) is made up of a series of actionable commitments that can be implemented and monitored during construction and into occupation. While an SVS uses some of the data from an SEA, it goes much further by not only assessing the types of jobs created but also who gets that job.

The SVS can also be used as a management tool to help set aspirations and targets. Importantly, an SVS allows the development team to describe the wider social, economic and environmental benefits that a new development will have on the community, and it can be used to measure, monitor, validate and report social value beyond planning, including meanwhile uses, construction, property management and occupation (Figure 2).

The SVS should include a clear set of targets based on a measurement framework, such as the National TOMs, that is recognised by the planning authority and tailored to its needs. Where feasible, the measurement framework should demonstrate how it has been informed and adapted through stakeholder engagement to ensure that it reflects local needs and priorities.

Theme	Outcomes
Jobs – Promoting local skills and employment	<ul style="list-style-type: none"> More local people in employment More opportunities for disadvantaged people Improved skills for local people Improved employability of young people
Growth – Supporting growth of responsible regional business	<ul style="list-style-type: none"> More opportunities for local SMEs and voluntary, community and social enterprises (VCSEs) Improving staff wellbeing and mental health Reducing inequalities Ethical procurement is promoted Social value embedded in the supply chain
Social – Healthier, safer and more resilient communities	<ul style="list-style-type: none"> Creating a healthier community Vulnerable people are helped to live independently More working with the community
Environment – Decarbonising and safeguarding our world	<ul style="list-style-type: none"> Carbon emissions are reduced Air pollution is reduced Safeguarding the natural environment Sustainable procurement is promoted
Innovation – Promoting social innovation	<ul style="list-style-type: none"> Other measures (more innovation to promote jobs, skills, resilient communities and environmental regeneration)

Table 1
The themes and outcomes of the National TOMs Framework



Figure 2
The social value strategy is the golden thread to maximising benefits throughout the life cycle of the development

- Planning and design.** A social value framework such as the Real Estate TOMs should be used to inform design and be the basis of a social value action plan (SVAP) that should form a part of the SVS for any new development. The SVS and SVAP are used to justify and describe the commitments being made by the developer, and will allow the planning authority and members of the planning committee to properly understand the broader

social, economic and environmental value that the new development will bring to the local community, based on real needs. Developers should consult with stakeholders to ensure that the measurement framework reflects local needs, including feedback from local communities, council members, trading associations and voluntary organisations working within the community. The SVS, and the SVAP within it, should be submitted with the planning application so that the members of the community can see exactly what is being committed to and can hold the council and the developer to account. The proposals may form a part of Section 106 negotiations or be included within conditions to build or occupy.*

- **Construction.** Following planning approval, the measurement framework should be embedded in the procurement of the tier 1 contractor and all key subcontractors employed thereafter. All contractors should be asked to complete their own SVAP based on a local needs analysis and any Section 106 requirements. The developer should provide ongoing quarterly reports of its progress against targets, and at the end of construction provide a full and detailed report as part of the handover documents (i.e. social value log book) that may be used by asset managers and passed on if the property is sold.
- **In use – management.** After construction, and for buildings where there is a management team in place, the property manager has a major role to play in ensuring that the local community receives tangible benefits from the development. The property management team should develop an annual SVAP that identifies how they will create and maximise local social value. This could include the appointment of local supply chain contractors for cleaning, security, repairs, maintenance and landscaping, as well opportunities for the local community to use the premises for community activities or meetings. The property manager may also look at how it can support occupier corporate social responsibility (CSR) programmes through brokering relationships with local schools and voluntary organisations and creating opportunities for volunteering in the community (e.g. impact days). Ideally, all activities should be recorded in the social value log book.
- **In use – occupation.** Many businesses already have their own CSR initiatives and work closely with local schools, or have corporate volunteering programmes, for example. Even so, occupiers should be encouraged to formulate a comprehensive approach to creating local social value, and should develop their own SVAPs annually and report their activities and social value contributions in the social value log book.

The rise of impact

Investors are increasingly looking at both the financial and the social return on their investments.¹⁰ This trend is being driven by a changing attitude to investment, especially among millennials, who are looking for their investments to have ‘purpose’.

Therefore, measuring and managing social value should not be limited to new developments, as there is a clear business case and a need for asset managers and building owners not only to understand better how their assets create value for the local community but also how this value can be maximised by unlocking the contributions to be made by the way in which the property is managed as well as how the occupier engages. If this is managed carefully, then over time it will have a positive impact on the asset value and improve yields as the wealth, collective skill base and wellbeing of the community increases.

Asset managers should use a social value framework such as the National TOMs (Figure 3) to identify where value may be added, and then work with their property management team and occupiers to unlock opportunities to create value. All activities should be recorded in the property social value log book, which will remain with the building when it is sold or marketed to future occupiers. The log book should also be used to help investors better understand the social value created throughout their investment.

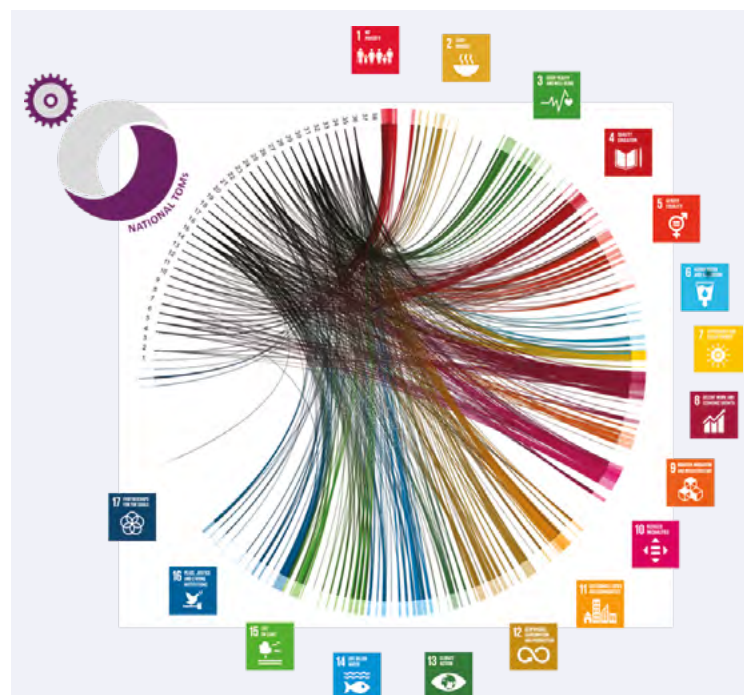


Figure 3
The National TOMs have been mapped against the Global Goals for Sustainable Development relevant to ESG (environmental, social and governance) investors

* A strategy presently being adopted by Coventry City Council.

Social value in the time of COVID-19 – a new ‘social contract’?

The pandemic has hit our communities hard, with job losses, failing businesses, the closure of schools and a slowdown in the economy. Society will recover, and it is likely that real estate will be on the front line of this recovery and renewal, but with a difference.

Local authorities will be looking to the private sector to do its bit, and we are likely to see the emergence of a new ‘social contract’, which will expect businesses that are gaining from society to also give something (more) back at the same time. This is already the case in public sector procurement, which has seen the requirement for social value to be a part of the supplier relationship gain in importance rather than diminish.

This expectation is likely to flow over into the planning process, where developers and the supply chain will be expected to provide even more tangible local benefits that make a real difference to the communities in which they are working.

Key issues that developers will need to focus on include:

- *Stakeholder engagement.* During the pandemic communities have grown closer together and their voices louder. Developers will need to ensure that they not only engage with but also respond to community needs.
- *Real community benefits.* Developers will need to look at how they can make a real and lasting contribution to the communities in which they are working, including how the new occupiers may be bound to engage.
- *Greater transparency and accountability.* Local authorities are going to be held more accountable for the decisions they make around planning, and developers and owners will need to consider how they will support the planners by being more transparent in the delivery of their social value proposals.

Conclusion

The Social Value Act has transformed the relationship between the public sector and its suppliers by making it possible for public sector buyers to select supply partners not only on price but also on the social value they bring to the contract. Some councils are using social value weightings as high as 20%, and this strategy has been so successful that a number of local authorities, such as Islington and Salford, are now looking to extend the principles of social value into the planning process so that they can better understand and unlock value for the communities that they represent. This imperative is likely to grow even more as communities look to rebuild themselves after the COVID-19 outbreak.

Development teams and asset owners need to embrace this opportunity by embedding social value in their development strategy, planning submissions and asset management plans as a means of delivering more value for communities while enhancing the overall value of the asset for their investors.

Done well, integrating social value in the planning process will deliver better outcomes for everyone, especially the local community.

- Council members will better understand the link between their social value policies and development.
- Planners will be able to negotiate with developers to ensure that social value is considered and that the wider community needs are taken into account.
- Developers will have a recognised framework against which they will be able to demonstrate the value they bring to the local community.
- Occupiers will benefit from an increasing local skills base and a more vibrant economy.
- Asset owners will benefit from an increasing asset value over the long term.

And, of course, if successful, the local community will be the key beneficiary from any initiative, gaining from more jobs, support with training, community investment, and a cleaner, greener place to live. ■

Build Back Better, Fairer, Greener.

Case studies

Black Country Core Strategy (2011)

Policy EMP5: Improving Access to the Labour Market

This long-standing policy,¹¹ which operates across the Black Country, has a stated purpose of seeking to ensure that the jobs created by economic development in the area are made available to as many existing residents as possible. The policy states that this will be done by negotiating Section 106 obligations with developers to secure initiatives and/or contributions towards the training of local people, particularly disadvantaged groups. In practice, the operation of the policy is not being imposed 'stick like' through Section 106, but rather in a more 'carrot'-like fashion through the use of planning conditions seeking the submission of local employment and training strategies at the outset of development proposals. ■

“No development shall commence until an economic and community development statement has been submitted and approved by the LPA. The statement shall address, as a minimum, measures to increase the number of jobs open to local people and the development of initiatives that support activities to upskill unemployed people.”

*Black Country Core Strategy*¹¹

Islington Council, London *Islington Local Plan*

The Islington Local Plan¹² is currently undergoing examination. The proposed plan requires the following social value policies:

- All development in Islington is encouraged to maximise social value in order to deliver as many public benefits as possible.
- Major development proposals must undertake a social value self-assessment which clearly sets out the specific social value that would be added through the delivery of the proposal.

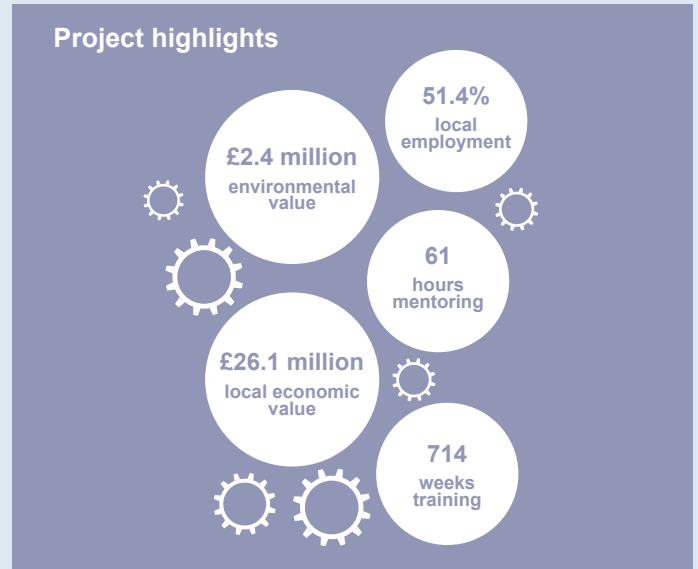
Criteria to be considered include:

- everyone involved in the development to be paid the London Living Wage
- supporting and diversifying local supply chains
- skills and employability initiatives for local residents, and provision of work placements
- supporting the voluntary and community sector
- ethical financial and investment practices
- environmental policies and practices
- the health and wellbeing of employees
- diversity and inclusion
- reducing crime and fear of crime
- no discrimination against employees or contractors who are involved in trade union activities, and support for employee engagement.

The new affordable workplace policy gives operators an underlease on the space at a peppercorn rent and they can charge up to 80% of market rent. In exchange, the operator must deliver social value, with a particular emphasis on delivering real opportunities for disadvantaged local people and supporting micro and small businesses. ■

Case study

245 Hammersmith Road, London
End-of-project social value assessment

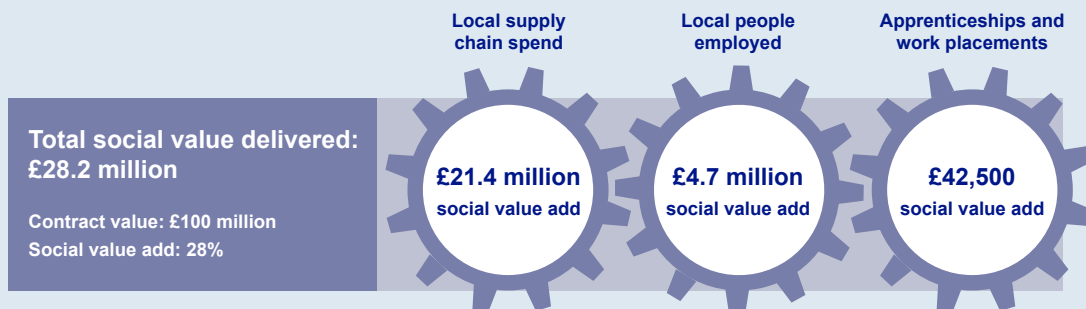


Project statistics

Client: Legal & General
 Gross internal area: 330,000 ft²
 Construction cost: £100 million
 Build duration: 2 years
 Main contractor: Lendlease
 Use: commercial office
 Location: London Borough of Hammersmith and Fulham

Total social value delivered: £28.2 million
Total social value add per £ contract value: 28.2%
Social value delivered against target: 211%

<p>Local skills and employment</p> <ul style="list-style-type: none"> 153 local people employed 2 NEETs employed 14 weeks of work placements 708 weeks of training opportunities 	<p>Protecting and improving our environment</p> <ul style="list-style-type: none"> 26,654 t of waste diverted from landfill 148 t of carbon emissions savings
<p>Local contributions</p> <ul style="list-style-type: none"> £1.46 million Section 106 contributions to cycle hire, economic development and highways £585,000 Community Infrastructure Levy (CIL) contributions 	<p>Stronger, healthier communities</p> <ul style="list-style-type: none"> 440 hours of community volunteering £600 donations to local community projects



Case study

Edward Street Quarter, Brighton

First Base



First Base developed an SVS as a part of its planning application for its new development in the Edward Street Quarter, Brighton. ■

“For First Base, embedding an approach to social value from the outset of any project is fundamental.

Developing a social value strategy for our planning applications is the best way to ensure we can maximise the social, economic and environmental value generated throughout the life cycle of our developments. It is important to us that any social value delivered is tangible, needs-based and developed in collaboration with communities.

That is why we are committed to adopting the Social Value Portal’s approach on all major developments.”

*Liam Ronan-Chlond,
Stakeholder & External Relations, First Base*

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ABOUT THE BCO

The BCO is the UK's leading forum for the discussion and debate of issues affecting the office sector. Established in 1990, its membership base comprises organisations involved in creating, acquiring or occupying office space, including architects, lawyers, surveyors, financial institutions and public agencies.

The BCO recognises that offices don't just house companies, they hold people and so what goes on inside them is paramount to workplace wellbeing.

ABOUT THE AUTHORS

Guy Battle is the CEO of the Social Value Portal. He has worked in the construction industry for over 30 years and is one of the leading proponents of integrating the benefits of the Social Value Act into development. The Social Value Portal works across both the public and private sectors, and is focused on embedding the delivery of social value in everyday business practices.

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http://www.bco.org.uk/Research/Publications/Integrating_Social_Value_in_Development_Build_Back_Better_Fairer_Greener.aspx